

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.3705 Geographic areas; determination of premiums; conditions; small employer or sole proprietor; rating factors.

Sec. 3705. (1) For adjusting premiums for health benefit plans subject to this chapter, a carrier may establish up to 10 geographic areas in this state. A nonprofit health care corporation shall establish geographic areas that cover all counties in this state.

(2) Premiums for a health benefit plan under this chapter are subject to the following:

(a) For a nonprofit health care corporation, only industry and age may be used for determining the premiums within a geographic area for a small employer or sole proprietor located in that geographic area. For a health maintenance organization, only industry, age, and group size may be used for determining the premiums within a geographic area for a small employer or sole proprietor located in that geographic area. For a commercial carrier, only industry, age, group size, and health status may be used for determining the premiums within a geographic area for a small employer or sole proprietor located in that geographic area.

(b) The premiums charged during a rating period by a nonprofit health care corporation or a health maintenance organization for a health benefit plan in a geographic area to small employers or sole proprietors located in that geographic area shall not vary from the index rate for that health benefit plan by more than 35% of the index rate. However, for a health benefit plan issued before the effective date of this chapter by a nonprofit health care corporation or health maintenance organization, the premiums for the plan are subject to the following:

(i) For a renewal occurring on or after the effective date of this chapter and through December 31, 2004, the premiums charged for a health benefit plan in a geographic area to small employers or sole proprietors located in that geographic area shall not be higher than 15% above the index rate or lower than 35% below the index rate.

(ii) For a renewal occurring on or after January 1, 2005, the premiums charged for a health benefit plan in a geographic area to small employers or sole proprietors located in that geographic area shall not vary from the index rate for that health benefit plan by more than 35% of the index rate.

(c) The premiums charged during a rating period by a commercial carrier for a health benefit plan in a geographic area to small employers or sole proprietors located in that geographic area shall not vary from the index rate for that health benefit plan by more than 45% of the index rate. However, for a health benefit plan issued before the effective date of this chapter by a commercial carrier, the premiums for the plan are subject to the following:

(i) For a renewal occurring on or after the effective date of this chapter and through December 31, 2004, the premiums charged for a health benefit plan in a geographic area to small employers or sole proprietors located in that geographic area shall not vary from the index rate for that health benefit plan by more than 70% of the index rate.

(ii) For a renewal occurring on or after January 1, 2005 and through December 31, 2005, the premiums charged for a health benefit plan in a geographic area to small employers or sole proprietors located in that geographic area shall not vary from the index rate for that health benefit plan by more than 55% of the index rate.

(iii) For a renewal occurring on or after January 1, 2006, the premiums charged for a health benefit plan in a geographic area to small employers or sole proprietors located in that geographic area shall not vary from the index rate for that health benefit plan by more than 45% of the index rate.

(d) For a sole proprietor, a small employer carrier may charge an additional premium of up to 25% above the premiums in subdivision (b) or (c).

(e) Except as otherwise provided in this section, the percentage increase in the premiums charged to a small employer or sole proprietor in a geographic area for a new rating period shall not exceed the sum of the annual percentage adjustment in the geographic area's index rate for the health benefit plan and an adjustment pursuant to subdivision (a). The adjustment pursuant to subdivision (a) shall not exceed 15% annually and shall be adjusted pro rata for rating periods of less than 1 year. This subdivision does not prohibit an adjustment due to change in coverage.

(3) Beginning 1 year after the effective date of this chapter, if a small employer had been covered by a self-insured health benefit plan immediately preceding application for a health benefit plan subject to this chapter, a carrier may charge an additional premium of up to 33% above the premium in subsection (2)(b) or (c) for no more than 2 years.

(4) Health benefit plan options, number of family members covered, and medicare eligibility may be used in establishing a small employer's or sole proprietor's premium.

(5) A small employer carrier shall apply all rating factors consistently with respect to all small employers and sole proprietors in a geographic area. Except as provided in subsection (4), a small employer carrier shall bill a small employer group only with a composite rate and shall not bill so that 1 or more employees in a small employer group are charged a higher premium than another employee in that small employer group.

History: Add. 2003, Act 88, Eff. Jan. 23, 2004.

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